

**Yellow Medicine County Board of Commissioners
Policy Manual**

TITLE

County Comprehensive Fund Balance Policy

CODE

407

REFERENCE

GASB 54

PERSONNEL RESPONSIBLE

Yellow Medicine County Finance Manager

APPROVED BY: County Board 12/13/2011

EFFECTIVE DATE

01/01/2011

AMENDED

03/13/2012

POLICY

407.100 PURPOSE

The purpose of this policy is to aid in the classification of county governmental fund balance as set out in GASB 54.

407.200 SCOPE

GASB 54 requires that the fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. Yellow Medicine County evaluated each of its funds on January 1, 2011 and classified fund balances into the following five categories:

- **Nonspendable** – amounts that cannot be spent because they are not in spendable form, such as fund balance associated with inventories, prepaids, long-term receivables and loans.
- **Restricted** – amounts that are restricted by external parties such as creditors or imposed by grants, law, legislation, or contributor.
- **Committed** – amounts that can be used only for the specific purposes determined by a formal action of the County Board of Commissioners. Fund balance commitments are established, modified, or rescinded by County Board action through a Board resolution.
- **Assigned** – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
- **Unassigned** – this category is for any fund balances that have no restrictions placed upon them. Reported only in the General Fund, *except* in cases of negative fund balance. Negative fund balances in other governmental funds are reported as unassigned. If the fund spent more than what was available then the resources must have come from the unassigned resources of the General Fund.

407.300 MANAGEMENT OF COUNTY FUND BALANCE

It is the policy of the County when both restricted and unrestricted fund balances are available to use for a specific purpose the restricted fund balance is used before unrestricted fund balance. Unrestricted fund balance is the amount left after determining both nonspendable and restricted net resources. The unrestricted fund balance is the amount of fund balance the County has placed constraints on its use (committed and assigned) and fund balance that does not have any specific purpose identified (unassigned). When using unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned fund balance.

The County board will set specific purposes for use of fund balance before the year end. The amount to be set aside for that purpose can be determined after the year end. Amounts set aside for specific purpose by the County Board of Commissioners will be classified as committed fund balance.

The County Administrator may assign fund balance for amounts that are constrained by the County's intent to be used for specific purposes. The fund balance may be assigned after the year end. In governmental funds other than the general fund, the assignment must follow the County's intent for the specific purpose levied or the specific purpose a special assessment was assessed (i.e. Human Services, Road and Bridge, Ditch, and Bond retirement) as long as the fund has a positive balance. Amounts set aside by the County Administrator will be classified as assigned. Assignments should never cause a deficit in unassigned fund balance to occur.

Unassigned fund balance represents the remaining unrestricted fund balance in the general fund after identifying fund balance that has been committed or assigned and are classified as such. Deficits in fund balance of other governmental funds are also reported as unassigned.

The County Finance Manager is authorized to evaluate and classify fund balance in accordance with GASB Statement No. 54.

407.400 MINIMUM FUND BALANCE

At the end of each fiscal year, the County will maintain spendable – Unassigned portions of the fund balance for Cash Flow in a range equal to five months – one year of the General Fund operating expenditures. In addition to cash flow needs this accommodates emergency contingency concerns.

In the event that amounts designated for cash flow go above or below the desired range, the County Finance Manager shall report such amounts to the County Board as soon as practical after the end of the fiscal year. Should the actual amount designated for Cash Flow fall below the desired range, the County shall create a plan to restore the appropriate levels. Should the actual amount designated for cash flow rise above the desired range, any excess funds will remain undesignated pending the County's final decision concerning transfer to another fund. It is the policy of the County that such excess funds will be, by board action, to be reported in the spendable limited category of the policy.

This policy amends and replaces County Policy 403- Designation of Unreserved Fund Balances.